

MINUTES

REGULAR MEETING AUDIT COMMITTEE October 31, 2012

Committee Members Present: Council Member Diane Hofstede; Minneapolis Park & Recreation Board Representative Mark Oyaas; Citizen Members Stephanie Woodruff and Darrell Ellsworth (Quorum 4)

Committee Members Absent: Council Members Johnson and Hodges

Chair Hofstede called the meeting to order at 9:36 a.m. in Room 317 City Hall, a quorum being present.

1. **Adopt Agenda**
2. **Accept Minutes of the Regular Meeting of September 19, 2012**

Hofstede moved adoption of the agenda and acceptance of the minutes.

Adopted upon a voice vote.

Absent - Johnson, Hodges.

Unfinished Business

3. **Xcel Energy Review:**
Report back on direction that Finance & Property Management work with the City Attorney's Office to render an opinion going forward on the issue of Xcel Energy, Inc. providing the City with a statement, certified by the company's controller or another officer of the company, of the amount of the company's gross operating revenues for the preceding calendar year.

Chair Hofstede noted that this item had been before the Ways & Means/Budget Committee on October 29, 2012. At that meeting she had moved a staff direction to obtain certified annual statements of Xcel Energy, Inc.'s gross operating revenues, pursuant to the franchise agreement and report those results to the Ways & Means/Budget Committee. That motion failed. An update on the action taken by the City Council will be provided at the November meeting.

In response to Committee questions, Kevin Carpenter, Chief Financial Officer, stated that to the best of his knowledge, the City had never enforced their right under the contract to obtain a certified statement, and he was confident that there was no material risk. They will be renegotiating the franchise agreement and will determine how to structure the arrangement going forward.

Peter Ginder, Deputy City Attorney, stated that the Ways & Means/Budget Committee agreed with the management action plan offered by the Finance Department; however, the City had the ability to enforce that clause in the contract if they chose to do so.

4. **Second Quarter 2012 Update on Management Action Plans:**
Report back on direction that the Internal Auditor provides the Committee with a listing of completed audits where the City Council felt no action was needed.

Magdy Mossaad, Internal Auditor, summarized the report with a PowerPoint presentation. Audit Committee recommendations had been referred to the Ways & Means/Budget Committee regarding the following audits and that Committee and the City Council had determined that no further action was needed:

- 2011-01: Bank Account Reconciliation, Bank Account Access and Automated Clearing House (ACH) Transaction Review relating to Commercial Electronic Office (CEO) Transaction Limits and Authorization and New Signer Background Checks

- 2012-01: Grant Management Process Review relating to COMPASS Functionality and the Debarred and Suspension List
- 2012-04: Unisys Contract Review relating to Review of Payments, Contract Monitoring, and Review of SSAE 16 Reports to Unisys

In response to Committee questions regarding the Bank Account Reconciliation/Transaction Limits item, Kevin Carpenter clarified that an action had been taken to revise the limits of various individuals (some went up and some went down) in the Treasury Department and his action had been incorporated into the management response which was subsequently accepted by both the Ways & Means/Budget Committee and the City Council. Mr. Mossaad noted that no analysis was received to support the changes in limits.

Hofstede noted that the Unisys contract was also reviewed by the Ways & Means/Budget Committee and Mr. Doll, Chief Information Officer, had presented a worksheet response which could be brought forward to the Audit Committee for further discussion.

Hofstede moved that the Internal Auditor be directed to prepare follow-up reports in the first quarter of 2013 on the status of the following reviews:

- a) Bank Account Reconciliation, Bank Account Access and Automated Clearing Housing (ACH) Transaction Review; and
- b) Unisys Contract Review.

Adopted upon a voice vote.

Absent - Johnson, Hodges.

5. Special Audit Committee Meeting:

Receive and file October 18, 2012 Audit Committee Special Meeting Report.

Hofstede noted that at the Special Audit Committee meeting of October 18, 2012, the Committee had identified several issues to be addressed which would be discussed at the November meeting.

Hofstede moved that the Internal Auditor be directed to invite to the November Audit Committee meeting those departments that will be audited in 2013 to discuss their upcoming audits.

Adopted upon a voice vote.

Absent - Johnson, Hodges.

Report of Internal Auditor

6. Third Quarter 2012 Update on Management Action Plans

Magdy Mossaad summarized the Third Quarter 2012 Update on Management Action Plans with a PowerPoint presentation.

Ellsworth moved that the Internal Auditor be directed to incorporate in the tracking of issues in 2013 those internal control issues noted by the State Auditor and report to the Audit Committee on those issues on a quarterly basis beginning in the first quarter of 2013.

Adopted upon a voice vote

Absent - Johnson, Hodges.

Hofstede moved to receive and file the update.

Adopted upon a voice vote.

Absent - Johnson, Hodges.

In response to Committee questions regarding the 2013 budget, Mr. Mossaad stated that the proposed budget did not include an FTE increase or the requested additional \$50,000 for contingency.

Adjournment

The meeting was adjourned at 10:27 a.m.
Absent - Johnson, Hodges.

Submitted by: Peggy Menshek, Council Committee Coordinator/City Clerk's Office

DRAFT